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National Intelligence Bulletin

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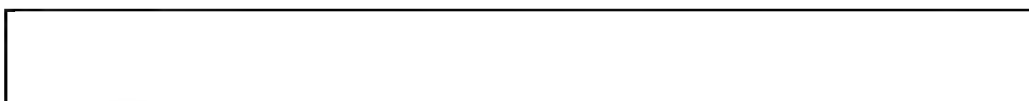
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LEBANON

Prime Minister Karami's call yesterday for the indefinite postponement of parliamentary elections is likely to prompt Lebanese leftists to intensify their efforts to spark a new round of fighting. The far left stands to win a number of seats in parliament if elections are held on schedule, between February and April.

At present, Beirut is relatively calm. Numerous kidnappings and recent efforts by the Christian militia to search trucks bringing food to the Palestinian refugee camps, however, could easily become the source of widespread clashes.

The electoral law that determines when elections are held can be changed by the president, prime minister, and parliament. Because of the continuing civil unrest and the growth of leftist political power in Lebanon, these parties now have an interest in delaying a vote.

Karami's call may reflect a private understanding between old-line Muslim and Christian leaders. Muslims, like Karami and former prime minister Saib Salam, fear they would lose their seats to radical leftists Ibrahim Qulaylat and Faruq Muqaddam if elections were held now.

The Christians fear that election of more radical deputies would jeopardize their ability to ensure the election by parliament of an acceptably conservative successor to President Franjiah. The President's term expires in September and cannot be constitutionally extended.

The Christians may also calculate that extension of the life of the existing parliament would allow them to delay making concessions that would provide equal Christian and Muslim representation in parliament. Christians now have a 6 to 5 majority in the 99-member body.

Muslim and Palestinian leaders so far have reacted with restraint to the Christians' rejection last week of the Syrian sponsored proposals for political reforms. The Muslims have issued a low-key statement condemning the rigidity of the Maronites but repeating their own willingness to negotiate a settlement.

The Muslim restraint probably results in part from efforts of the Christian Phalanges Party to dissociate itself from calls by ultraconservative Christians for the partition of Lebanon into Christian and Muslim states.

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NIGERIA

Nigeria is raising the price of its high-quality oil again, in response to favorable market conditions.

Lagos informed foreign oil companies on December 30 that as of January 1, the cost of equity oil—45 percent of output—would increase by nearly 60 cents per barrel, to \$12.20. Payments for equity oil are in the form of taxes and royalties. The cost of government-owned oil—55 percent of output—will be \$12.75 per barrel, an increase of 24 cents. The average increase in government revenue of 40 cents is in addition to the \$1.20-increase imposed in October as a result of the 10-percent price hike decreed by OPEC.

The price hike could add \$130 million annually to the US oil import bill. Nigeria is the second largest supplier of oil to the US, accounting for about 900,000 barrels per day—15 percent of total imports.

Most of the oil companies probably will submit to the Nigerian demands. When Lagos suggested an increase last month, the companies flatly refused, but Gulf Oil, the second largest producer in the country, now finds its bargaining leverage reduced. It needs most of its entitlement in Nigeria to make up for losses in Cabinda, where it recently suspended operations. Other buyers also are likely to give in because of the current high demand for the light, low-sulphur Nigerian crudes and the lack of available substitutes.

OPEC's recent inability to solve the problem of price differentials for various qualities of crude has given the Nigerians added incentive to press for higher prices. Since the price of lower quality crude, currently in weak demand, has not been lowered, Lagos was certain that higher quality crude would command a premium.

The new pricing policy will have longer term implications for the Nigerian oil industry. The foreign companies will be operating on a margin of only about 25 cents, nearly the same as that allowed by producing states in the Persian Gulf. Because of the higher investment costs in Nigeria, the companies probably will curtail exploration and development.

The government, cognizant of this, may be considering nationalization of the remaining 45 percent of the industry. Lagos already plans to set up management committees to oversee company operations. As recently as last October, the government denied any intent to proceed with further nationalization in "the near future."

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THAILAND

The government announced yesterday that it would freeze rice prices "for the time being," defusing at least temporarily one potentially serious political problem for the Khukrit government. A government spokesman states that the next freeze would remain in effect until government stocks run out.

Proposed government increases in rice and sugar prices had sparked a worker rally which reportedly attracted some 10,000 protesters. It is possible that the prospect of larger turnouts may have forced the government to back down from its previous position that it would raise the prices on January 15.

The freeze evidently will affect only retail prices, with the government going ahead with an increase in the prices it planned to pay farmers. The retail prices thus could begin to move up again shortly as the government's supply of cheaper rice—currently estimated at less than two months—begins to run out.

Khukrit's initiative and the absence of a unified labor movement seem, for the moment at least, to have undermined the so-called general strike called on January 2.



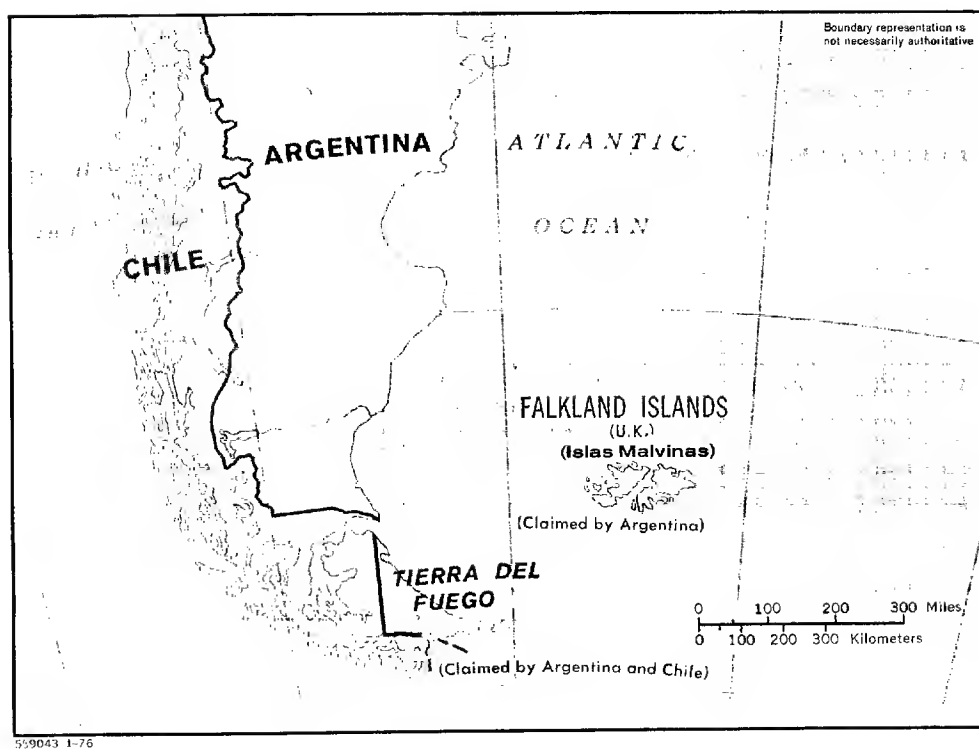
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ARGENTINA

The government has seized on the ultranationalistic issue of sovereignty over the Falkland Islands—which it claims and calls the Malvinas—in part to divert public attention away from domestic strife.

A Foreign Ministry communique issued on January 2 states that Argentina now intends to take over these islands, which lie 400 miles northeast of Cape Horn. The strongly worded announcement, issued following a meeting between President Peron and her top military and foreign affairs advisers, also accuses the British of refusing to discuss the issue of sovereignty in good faith.

January 3 marked the 143rd anniversary of British rule over the islands, and the statement was released only hours before the expected arrival of a British team in the Falklands to explore possibilities for economic development—including potential oil deposits that British geologists believe exist on the continental shelf.

Economic ties between the Falklands and Argentina have steadily improved since July 1971, when Argentine and British negotiators agreed to discuss on a regular basis issues of common concern in the region. The British government, however, has refused to negotiate a transfer of sovereignty on the grounds that the inhabitants of the islands, who are almost exclusively of British descent, should have the right to determine their future status and because the majority have told Parliament of their opposition to Argentine control.

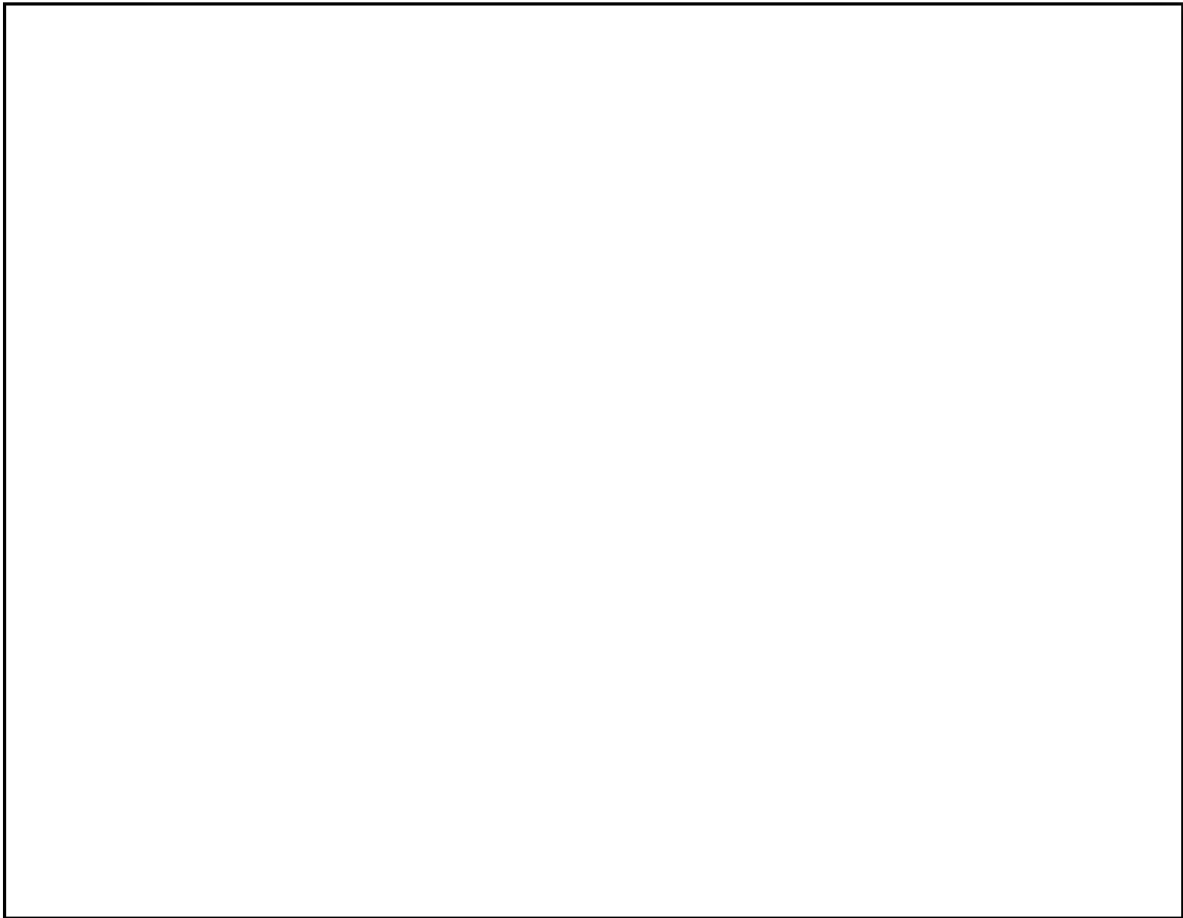
Because of continuing close economic and financial ties between Argentina and the UK, the Argentines are not likely to push the dispute too far. Nevertheless, any discovery of rich oil deposits would complicate future relations.

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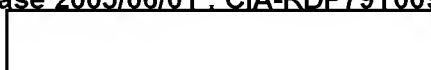
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FOR THE RECORD

ANGOLA: Libya on Sunday became the 18th member of the Organization of African Unity to recognize the government established by the Popular Movement for the Liberation of Angola. The Qadhafi regime related its decision to South Africa's assistance to the Popular Movement's rivals. The Popular Movement's backers need the support of two thirds, or 31, of the 46 OAU members to pass a resolution giving official OAU recognition to the Popular Movement's government.

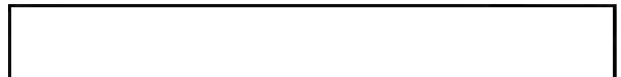


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